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**Sent:** Thursday, February 26, 2015 11:24 AM

**To:** Boyd, Jocelyn

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**Subject:** Testimony for Public Hearing on Docket 2014-399-WS

Ms. Boyd,

Attached is a document containing my pre-filed testimony to be included in the record of the Public Hearing scheduled for the evening of February 26, 2015 follow the informational session at 6:00 PM, and for distribution to the Commissioners of the PSC.

Thanks for your attention and consideration.

Don Long

14 Sunrise Point Court

Lake Wylie, SC 29710

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RECEIVED  
FEB 27 2015  
PSC  
MAIL ROOM

To: Ms. Jocelyn Boyd, Chief Clerk  
Public Service Commission of South Carolina (PSC)  
P.O. Drawer 11649  
Columbia, SC 29211

**REFERENCE:**

- 1.) PSC Docket No. 2014-399-WS, Joint Application of Carolina Water Service, Inc.; United Utility Companies, Inc.; Utilities Services of South Carolina, Inc.; and Southland Utilities, Inc. for Approval of Transfer of Stock and Merger.
- 2.) PSC **NOTICE OF AN INFORMATIONAL SESSION AND OF A PUBLIC NIGHT HEARING** regarding Docket No. 2014-399-WS dated 12/11/14.

**SUBJECT:** Statement of Donald G. Long regarding the Joint Application referenced above which is the subject of PSC Docket No. 2014-399-WS. The statement is submitted for inclusion as pre-filed testimony in the record of the Public Hearing of 02/26/15 and for distribution to each of the PSC Commissioners. The testimony follows:

My name is Don Long. I am a resident of the Lake Wylie Community in York County, SC. I am also a long-time customer of the current Carolina Water Service, Inc. and of its parent corporation, Utilities, Inc. I offer the following comments on the Joint Application referenced above and designated as Docket No. 2014-399-WS.

I am offering my testimony in this manner rather than orally and in person because the matter under consideration is relatively complex and very significant to Lake Wylie and York County and cannot reasonably or appropriately be discussed before the PSC within the time limit of three (3) minutes which has been arbitrarily imposed by the PSC. This less-than-two-page document takes over six (6) minutes to reasonably deliver orally. As the Commissioners, PSC Staff, and the management and staff of the Office of Regulatory Staff (ORS) are aware, I believe such a limit on public expression at a public hearing is unjustified, unwarranted, and could be interpreted as a lack of interest or desire on the part of the PSC to include public opinion as part of their deliberations. The very idea that depriving more citizens of the ability to provide meaningful testimony is a positive factor boggles the mind. But it is what it is.

**I believe that the Joint Application for merger and transfer of stock which is before the PSC and identified as Docket No. 2014-399-WS, if approved as proposed, will have substantial and unnecessary negative impacts on the citizens and taxpayers of York County and on the customers, statewide, of the current Carolina Water Service, Inc. (CWS) for the following reasons:**

**1.) Increased Water and Sewer Rates:** The merger, as proposed, brings together three (3) relatively small, as measured by numbers of customers and by revenue, subsidiaries of Utilities, Inc. with the current CWS, a relatively large subsidiary of Utilities, Inc. Such a merger, almost inevitably, and most certainly in this case, will bring about an increase in the water and sewer service rates of the larger, relatively more efficient (as measured by the lower current service rates) entity. While CWS is currently the highest cost provider of water and sewer service of the eleven (11) water and service companies operating within a ten (10) mile radius of the center of their operating area in York County, their rates are between 24% and 127% lower than the rates of the three (3) subsidiaries proposed to be merged with them.

**A detailed proportional analysis of the likely effects of the consolidation of the rates of the subsidiaries proposed to be merged indicates a probable increase in the combined water and sewer rates of current CWS customers of between 13% and 15%. This is a larger rate increase than has occurred through normal rate increase actions in many years.**

**2.) Subsidizing Inefficient Systems.** As a result of the proposed merger and subsequent rate consolidation, the customers of the three (3) smaller, less efficient "downstate" subsidiary systems will be substantially subsidized by the customers of the current CWS which operates both "upstate" and "downstate". Also, since CWS has over two-thirds of the total South Carolina customers of Utilities, Inc., nearly two-thirds of the sewer customers, and over half of the water customers, the great majority of Utilities, Inc. customers will be disadvantaged by the merger.

**The PSC should not allow the inefficiencies of the smaller systems to become an obvious and permanent economic burden on the current CWS customers. The current proposal not only allows, but insures, that such will happen.**

**3.) Public Acquisition of CWS York County Assets:** It is public knowledge that there is a citizen effort within York County to encourage York County to acquire the York County assets of CWS under the provisions of the CWS York County franchise. The current franchise expires in early 2017, only 22 months from now. Under the expiration terms, York County has the option to acquire the assets through the process of eminent domain. If the merger as proposed is approved, rates will increase causing an unjustified windfall increase in the supposed value of the York County assets of CWS, and, therefore, in the price which the citizens of York County will pay to acquire them. While the exact amount is unknown at this time, the added cost to York County could run into the millions of dollars, all to the benefit of Utilities, Inc.. Clever. Yet, to my knowledge, the PSC has not given consideration to this inevitable result of the merger as proposed. If the merger is to be seriously and fairly considered, the York County assets of CWS should be removed from the merger and set aside as a separate entity until York County has a reasonable opportunity to decide on their acquisition, which will be at least 2017.

**4. Planned Investment in CWS:** Recently, Utilities, Inc., in a letter to CWS customers, bragged about \$4,800,000 in investments they had made or intended to make in the CWS system. If one looked carefully at the nature of the investments, it appeared that, while over 40% of CWS customers are located in York County, only about 7% of the planned investment was destined for York County. And a good share seemed to be standard maintenance rather than "investment". This seems to be a clear "get out of the business in York County" strategy. The result will probably be that the York County system will become substandard while CWS's financial position is enhanced. This is a neat trick if you can pull it off. I'm not aware of any effort by the PSC to insure easy identification or a fair distribution of improvements in the existing CWS systems.

**5. Nature of Financial Statements:** CWS has routinely used unaudited financial statements to support its requests for rate increases. The PSC has allowed this practice despite the possibility of unintended errors or intended biased presentations accruing to the benefit of CWS and Utilities, Inc. I don't know of any obvious moves on the part of the PSC to disallow such an un-businesslike practice. The PSC should be requiring the use of independently audited financial statements when the time comes for consolidation of rates as a result of the proposed merger if approved. Also, no financial statements of any significance were provided with the request for merger to assist in evaluating the consequences of the merger. Nor were any post-merger rate projections provided. They should have been provided.

**6. Unsubstantiated Claims:** Utilities, Inc. has made claims about its Joint Application which are highly debatable. E.g.:  
-1.) Utilities, Inc. said in a Motion to Waive a Public Hearing that the Joint Application for Merger provided "detailed information... sufficient to inform the Commission and the public of the transaction and its consequences.". This was clearly not the case. The likely impacts and implications of the merger were, at best, masked.  
-2.) Utilities, Inc. said that, "Approval of the Application will result in greater administrative efficiency..." CWS's bills and corporate address for several years have been in Florida and Maine, respectively to apparently provide maximum administrative efficiency. How is this merger going to substantially improve on this? Not at all clear.  
-3.) Utilities, Inc. said that, "approval of the application will have no effect on customers' rates..." This was a deceptive and misleading statement applying only to Phase One of the merger plan, and not to Phase Two which is primarily devoted to rate consolidation which would affect the rates of every Utilities, Inc. customer in South Carolina.  
-4.) Utilities, Inc. said "There are no contested issues in this docket". Nonsense.

**If this merger is to be seriously considered, it should only be in the context of merging the downstate components of the subsidiaries. The York County components should be excluded and set aside in a separate entity, at least until York County has an opportunity to evaluate acquiring them. Even then, all the customers of the current CWS, downstate and upstate, will see a substantial increase in their rates with no significant benefit accruing to them. In addition, the PSC should insist on a resubmission of the Joint Application with the inclusion of financial information and rate projections sufficient for the PSC and the public to make a thorough analysis and an informed decision.**

Thank you for your attention and consideration.

Don Long  
14 Sunrise Point Court  
Lake Wylie, SC 29710